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THE MAGAZINE OF THE PRINTING INDUSTRY

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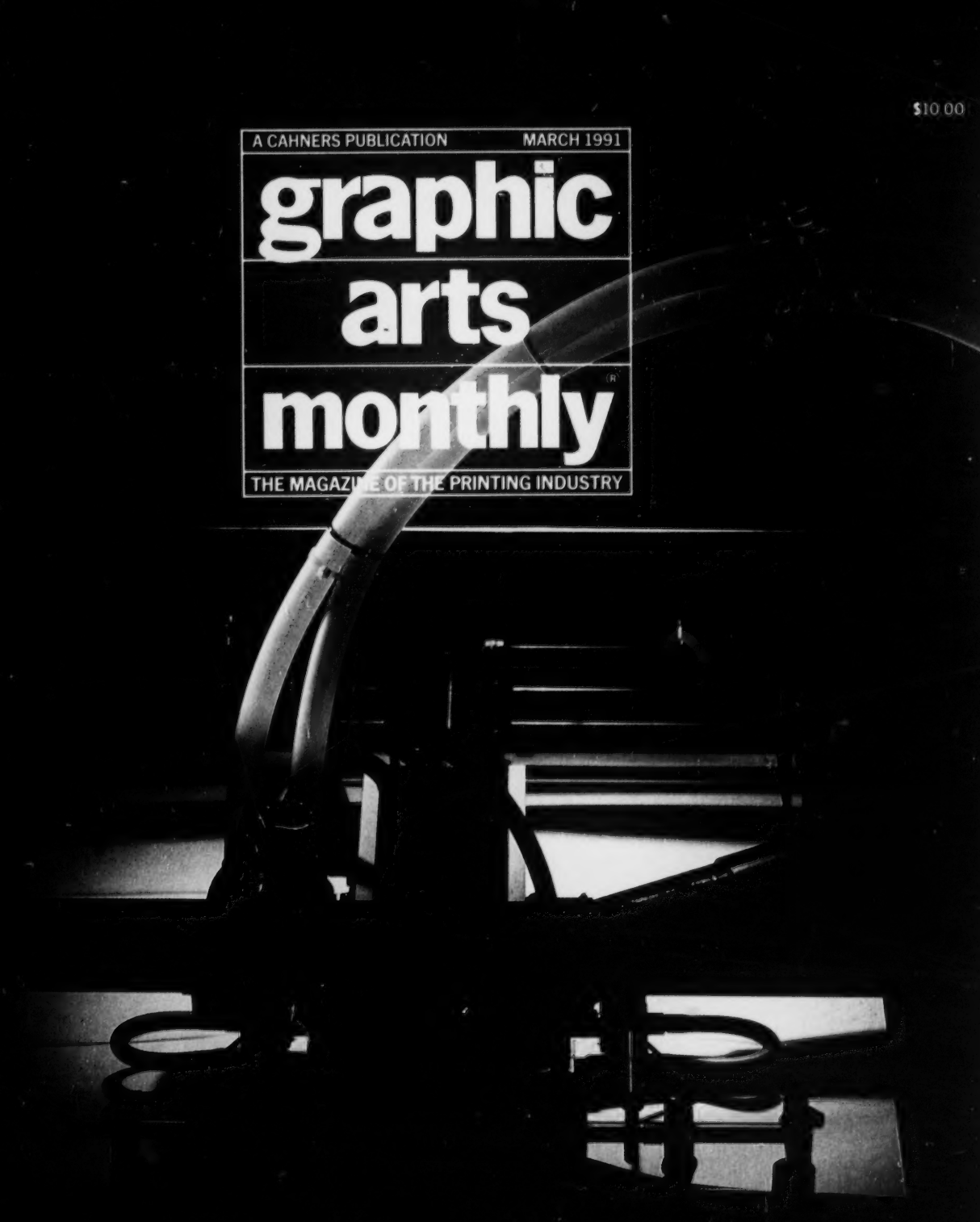

High-Tech Sheetfeds Entice Gutsy Buyers

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How Printing Prospers in the Midwest

VOLUME 63, NUMBER 3

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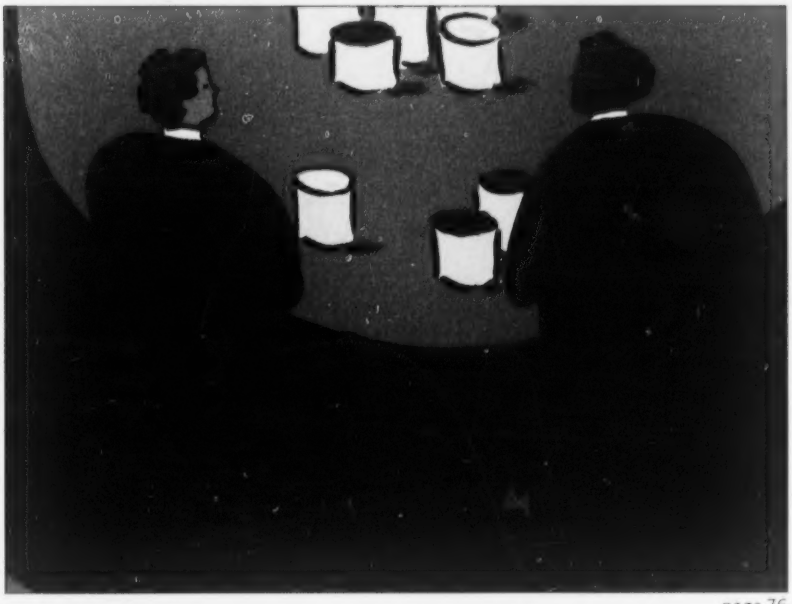
FEATURES



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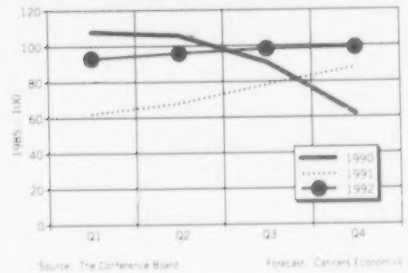
Consumer Buying On the Skids



Source: The Conference Board Forecast: Cahners Economics

While it is virtually impossible to stop American consumers from spending, their purchasing has slowed down. Inflation surged and consumer spending plunged in the second half of 1990, resulting in an annualized decline of 3.1% for inflation-adjusted consumer expenditures in the fourth quarter of 1990.

For the year, total consumer expenditures managed to post a 1% rise. Hardest hit was spending on nondurable goods (-.9%) and on durable goods (+.1%). Meanwhile, consumer spending on services increased a solid 2.5% for the year.

Evidence of the caution with which consumers are spending their dollars comes from the Conference Board's consumer confidence index. Consumer confidence in the economy has actually been on the decline since early 1989, when it became apparent that economic growth was slowing. It was not until the Iraqi invasion of Kuwait that consumer confidence took a real plunge. In January, the confidence index stood at only half the level of the same month a year ago.

While a resolution to the Middle East crisis is important to recovering confidence levels, consumers will surely be reluctant to boost their spending for quite some time. In particular, slow gains in real disposable income will keep consumers from increasing their spending patterns significantly throughout the coming year. Still, improving trends for inflation and interest rates should raise consumer confidence in 1991, and this is the first step to a recovering consumer sector.

Growth in consumer spending will be flat through 1991, with spending on all goods and services growing less than 1% for the year. A rebound is expected for 1991 with a 3% real gain in consumer spending.

Commercial printing sales showed relatively strong gains last year, despite the overall slowdown in the economy. Printing activity benefited from strong growth in end markets such as book and periodical publishing, and direct-mail advertising. The datatable of end market indicators shows that a pervasive slowdown in all the traditional publishing and advertising markets is expected for 1991. Printers will do well to search for the pockets of growth which do still exist. For example, the service sector, especially healthcare and fast food, should exhibit above-average growth.

END MARKET INDICATORS

				Annual % Change			
	1988	**1989**	**1990**	**89**	**90**	**91**	**92**
Consumer Spending (1)							
Books	10.50	11.39	12.49	8.5	9.7	7.2	7.1
Mags. & News	17.02	18.47	20.26	8.5	9.7	7.4	8.5
Publishers' Sales (2)							
Total	12.23	14.66	15.43	10.9	5.2	6.1	7.6
Adult Trade	2.28	2.72	2.85	19.1	4.7	6.2	8.6
Juvenile Trade	0.75	0.90	1.04	20.0	15.2	6.7	9.4
Elhi Texts	1.95	1.98	2.05	1.7	3.5	3.0	2.8
College Texts	1.72	1.84	2.01	7.3	9.0	4.2	7.6
Print Advertising Expenditures (3)							
Total	84.57	88.69	92.55	4.9	4.4	5.0	7.2
Newspapers	31.20	32.37	32.86	3.7	1.5	5.9	7.0
Magazines	6.07	6.72	6.88	10.6	2.5	1.1	5.5
Direct Mail	21.11	21.94	23.59	3.9	7.5	5.2	7.8

(1) Billions of Dollars. Data Source: U.S. Dept. of Commerce. (2) Billions of Dollars. Data Source: Association of American Publishers. (3) Billions of Dollars. Data Source: McCann-Erickson, Inc.
All forecast: Cahners Economics

Direct-Mail Sets 'One-Stop' Goal

"Occupant" doesn't live here anymore, as marketers zero in on targets in startling new ways.

If you want to know what's happening in the direct-mail business, look no further than your mailbox.

You'll notice there are certainly more colorful and elaborate pieces, fewer but much more targeted, and almost none addressed simply to "Occupant"; but virtually all are personalized on the inside as well as on the envelope, as marketers attempt to improve responses.

The direct-marketing industry has experienced extraordinary growth in recent years, but as direct marketers are confronted by a weak economy, compounded by a recent postal hike, printers, as their vendors, must now go beyond putting ink on paper in normal turnaround time.

"We're finding that people are laboring over their decisions to use direct mail until literally the last minute, causing a production crunch," reports Doug McKendry, vice president, web sales, Meehan-Tooker Inc., East Rutherford, N.J.

Much to its benefit, the direct-mail industry began maturing—marketing philosophies and technologies have started to evolve—thus putting the industry in a better position to cope with the current strains.

By Lisa Cross
Associate Editor

In the quest for more successful ways to market, the concept of segmenting, or target marketing, was created. Addressing a direct-mail piece to "Resident" or "Occupant" is the exception now, not the rule.

"Direct marketing was phenomenal when we were in the carpet-bombing stage, when we sent a single offer to the entire world, or at least an entire zip code," remembers Jim Fetherston, marketing director, mail production services, at Metromail, Lombard, Ill. "It worked well for a long time; then people decided there had to be something better."

Theoretically, target marketing yields a higher response rate. In turn, smarter mailing offsets increased postal costs. Metromail has taken the concept of targeting to even greater heights than simply personalizing a direct-mail offer by name. What the subsidiary of R.R. Donnelley & Sons calls "Segment of One" attempts to define the personal buying habits of direct-mail recipients (excluded is credit information or other data not of public record) in an attempt to boost the expected response rate.

"We can tailor a direct-mail offer," explains Fetherston, "so that two people on the list to receive an offer would be sent slightly different packages based on information known about them."

Both Metromail and Donnelley have introduced the capability to enable marketers to target smaller niches inside a large single mailing. Known as Selectronic inserting, it is an extension of the binding technology developed by R.R. Donnelley more than 10 years ago. It allows mailers to select multiple versions of outer envelopes, artwork, or copy while maintaining a single mailstream.

"It really has the potential for any size marketer to use. It's just changing the concept; instead of buying names from company A and going to company B, it's the whole package," says Fetherston.

"Marketers are trying to get away from the scatter-shot ap-

Peter Neumann

proach, as it is not the most effective way to operate," he adds. "Costs have greatly increased in the past few years for postage and other things."

In an economy most people now call recessionary, direct marketers often describe their business as a bit anti-recessionary. Most businesses resort more to mail for business needs when sales costs are running high in a recession.

"Basically, direct mail is a process that a number of companies use that is highly measurable and very cost effective as opposed to television, space advertising in magazines, or use of a direct sales force," explains Thomas J. Pruter, president of Moore Response Marketing Service, Libertyville, Ill.

"In some ways, when the economy is in recession, there is opportunity for more and more clients to use the direct-marketing process, or direct-mail, as an alternate means of distribution," Pruter explains.

But if the direct-mail industry is weathering the current economic storm, the recent increase in postal rates has left a cloud over the industry. "We're going to reach a maintenance level. There will be an increase, but not as large if we hadn't had that postal increase," says Larry Ocamb, vice president of Pluzynski/Associates, a New York City-based direct mail and marketing agent specializing in creative, design, and production.

Regarding the most recent postal rate hike, the consensus is that direct marketers will absorb the increase as the cost of doing business, but the quality and quantity of printed pieces may change.

"Direct marketers are now interested in exploring unique production techniques. Instead of producing the standard 11×17" three-fold piece, they're investing in producing better printed products," observes McKendry.

As direct marketers fine tune their audience and product specifications, can printers expect shorter run lengths? Thus far, there has been some movement toward shorter runs, but not a tremendous shift.

"People will probably reduce the quantities they're mailing

Typical Products

Mail Advertising Pieces
Flyers
Brochures
Letters, Reply Cards
Billing/Statement Stuffers
Coupons
Order Forms
Printed Envelopes (BMR & Window)
Card Decks

Typical Users

Magazine Publishers
Book & Record Clubs
Credit Card Companies
Fund Raisers
Financial/Insurance Companies
Department Stores
Industrial Equipment Suppliers
Office & Business Suppliers
Advertising Agencies

Direct Mail Printing

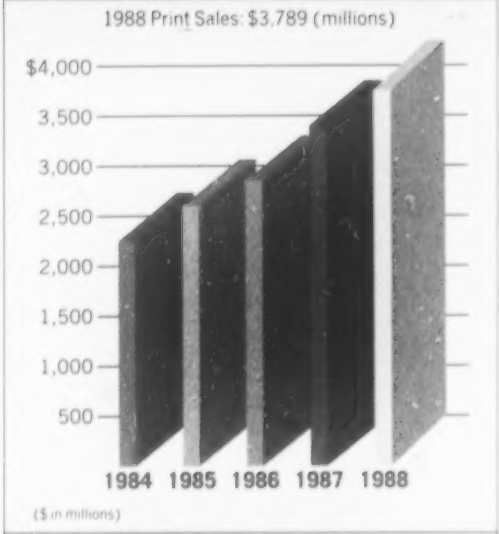


Chart by Annabelle Carter

Major Printers—Direct Mail

Rank	Company	Sales in millions.
1	UARCO Inc.	105.0
2	Moore Business Forms Inc.	85.0
	Wallace Computer Services Inc.	85.0
	Webcraft Technologies Inc.	85.0
5	American Business Products	83.0
6	Banta Corporation	82.0
7	Tech Web Incorporated	48.5
8	Standard Register Co.	45.0
9	Charles Communications Inc.	42.0
10	Alden Press Inc.	40.0

Source: PrintMarkets

and become somewhat more focused, but this will be offset by others who are trying direct mail for the first time," offers Pruter.

Adds Fetherston, "Mail-run lengths haven't really seen a fall yet, but I think marketers are definitely planning for it in 1991."

In light of the changes in the marketplace, printers have expanded the services they offer and deviated from the traditional way of doing business to better assist direct marketers. Gone are the days when a printer simply offered a job quote and printed the job.

"We're convinced the smarter way to do business is for our clients to involve us earlier in the planning stages and let us have an opportunity to guide them. We have a more consultative relationship now," says Fetherston.

Charles Pottenger, sales vice president of Printing Service Inc., Madison Heights, Mich., concurs, adding, "We have a close relationship with clients; printers have to. That trend has been evident."

Not only has the printer/client relationship been altered, but printer services have been expanded as well. Mailing, prepress, and list management are becoming part of the printer's menu of services. The concept of full-service or one-stop shopping has also taken hold. A spot survey revealed:

—"We're finding a trend that more and more printers are becoming the mailer. It cuts down on lead time, gives more control over printing, and offers printers another opportunity to service their client," observes Ocamb.

—"We find that people don't have the luxury of spending a whole lot of time making purchasing decisions; they want a one-roof approach that can offer innovative promotional ideas," says McKendry.

—"We want to offer one-stop shopping to better serve the client," adds Pruter.

—"As we are working with tighter and tighter schedules, it is absolutely important for direct-mail printers to become more full-service," advises Richard Rosetta, president of American Inline Inc., Seymour, Ind.

—Solar Press, Naperville, Ill., offers clients full-service prepress capabilities, and a mailing list correction system. List correction will save clients money by eliminating falloff that can happen with even the most impeccably groomed lists, according to management representatives. The system will standardize addresses to meet postal regulations, complete state abbreviation standardization, correct zip codes, add zip plus four, assign carrier route codes, and presort for carrier delivery.

Not only have the lines that traditionally divided the market blurred, so too have the players. Quick printers have now joined the ranks of direct-mail printers, and at least one copy machine vendor offers the capability to personalize pieces. Eastman Kodak's 2110 and 2120 high-speed optical duplicators can merge names and addresses with the hard-copy originals.

In addition, the boundaries of the marketplace have expanded as some North American companies have begun to set up shops on other continents. Solar Press opened a 50,000-sq-ft production facility in Belgium. For the past several years, Solar had produced orders domestically for the European market, selling through sales agents; at that time, roughly 5% of its sales volume came from Europe.

"Over a period of five years, we expect European sales to make up about 20% of Solar's total sales volume," predicts Frank Hudetz, Solar company chairman and chief executive officer. "We know there is potential well beyond that figure, but companies entering the European market must have patience. The economic agreement of 1992 won't bring instant unification in all areas, and the European direct-marketing industry is still developing."

The direct-marketing business drives a printing segment—varied by nature and often described as convoluted—that must react to a wide array of forces. Despite that, printers, marketers, mailers, and all others involved in the process agree that the outlook for their direct-mail business is bright, and there remain plenty of opportunities to be addressed.

graphic arts monthly

Printing Prospers In the Midwest

In the nation's heartland, printers of almost every description did extremely well in calendar 1990, boosting their aggregate year-over-year value of shipments by nearly 7% across the board.

Not only that, but mid-size commercial plants in the region generally prospered: two out of three increased their sales volume—some substantially—and most did a lot better in profit improvement over 1989, our recent survey showed. Though operating capacity declined in 1990, one printer in three expects business to increase this year.

More than one survey respondent reported there was plenty of work in the Midwest region, a few terming the level "tremendous" in their areas. But business shifts are apparently widening the gap between the strongest and weakest. Successful printers report they are scrambling for new growth markets, and a shake-out is imminent among the weak and so-called part-time players.

Of course, all was not rosy throughout the states of Illinois, Indiana, Michigan, Ohio, and Wisconsin. Certain geographic spots slumped; the automobile industry flattened, advertising dropped as weak areas began to stumble, buyer confidence began to erode late in the year, and much of the region saw a continued shift from traditional manufacturing to a service-oriented business base.

Also, like printers everywhere, Midwestern plants are feeling the effects of general overcapacity; more emphasis on service and stiff competition on customer-service issues; pressure from quick-print and photocopy shops; the after-effects of consolidations and mergers both among fellow printers and customers; and overall fear of recession and declining consumer confidence. As businesses act to preserve assets, printers said, there were spending cutbacks and client demands for more value in the printing they buy.

The excellent performance posted by graphic arts plants in the Midwest is even more significant considering that a sizable population shift—involving some two million people, or about 5% of the total—took place in the past decade. Commercial printing levels usually respond directly to changes in population, but apparently this contraction did not prove detrimental.

Inside this detachable fold-out form we present a general industry profile in the five-state region, a close look at commercial printing, demographic data, and listings of leading printers in major markets. Data sources are given on the charts and tables.

The most revealing portion presents survey results among commercial printers. It shows 1989-90 sales changes, the extent of those changes, profitability and capacity comparisons, and a business perception index.

To order reprints of this installation of Print Market Trends, contact Carol Bien, Cahners Publishing Company, Reprint Department, 1350 E. Touhy Ave., Des Plaines, IL 60018.

Jean Wisenbaugh

By Peter Johnston
Special Projects Manager

Regional Overview

The printing industry is a leading factor in the economy of the East North Central region, offering a variety of employment opportunities and revenue sources, as well as contributing to the local tax base. Illinois is by far the region's leader with more than one-third of sales (see chart, below). Among larger printers, business forms is the dominant contributor of revenue, followed by commercial and specialty printing, magazines, catalogs, and greeting cards. Dollar figures given throughout this report are unadjusted for inflation.

COMMERCIAL PRINTING

Value of Shipments

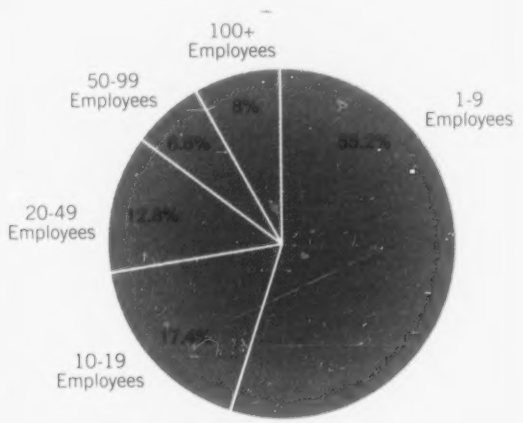
State	Sales, 1990 ($ million)	% of Region	Sales, 1989 ($ million)	% change (1989-1990)
Illinois	$6,340	36.6%	$5,943	6.7%
Ohio	4,267	24.6%	3,995	6.8%
Wisconsin	2,588	14.9%	2,419	7.0%
Indiana	2,098	12.1%	1,969	6.6%
Michigan	2,042	11.8%	1,912	6.8%
TOTAL	**$17,335**	**100%**	**$16,238**	**6.8%**

Source: PIA Economics Department

Printing Sites

State	Sites
Illinois	2,396
Ohio	1,632
Michigan	1,249
Wisconsin	784
Indiana	737
TOTAL	**6,798**

All Graphic Arts Plants, by Employee Count



Source: GAM 1990 Plant Equipment Market Profile

Charts and graphs by Lisa Hilgers

All Graphic Arts Plants, by Function

Function	# of Plants
Commercial	5,481
Newspaper (w/Commercial)	362
Newspaper (w/o Commercial)	357
Book & Pub	457
Business Forms	185
Converters	503
Noncommercial	1,671
Trade	983
Quick Printers	1,005

Source: GAM 1990 Plant Equipment Market Profile

DEMOGRAPHICS

All five of these states are populous (though becoming less so, especially in the farm counties—see text on cover page); three are in the top 10. Michigan, victim of auto industry cutbacks and other Rust Belt problems, has lost the most people, closely followed by Ohio and Illinois.

Population

State	Population	Rank
Illinois	11,552,000	6
Ohio	10,752,000	7
Michigan	9,145,000	8
Indiana	5,504,000	14
Wisconsin	4,785,000	17
TOTAL	**41,738,000**	

Population Changes

State	Change (1980-86)	Net Migration
Wisconsin	1.7%	−125,000
Indiana	0.2%	−206,000
Illinois	1.1%	−377,000
Ohio	−0.4%	−452,000
Michigan	−1.3%	−503,000

Educational Attainment

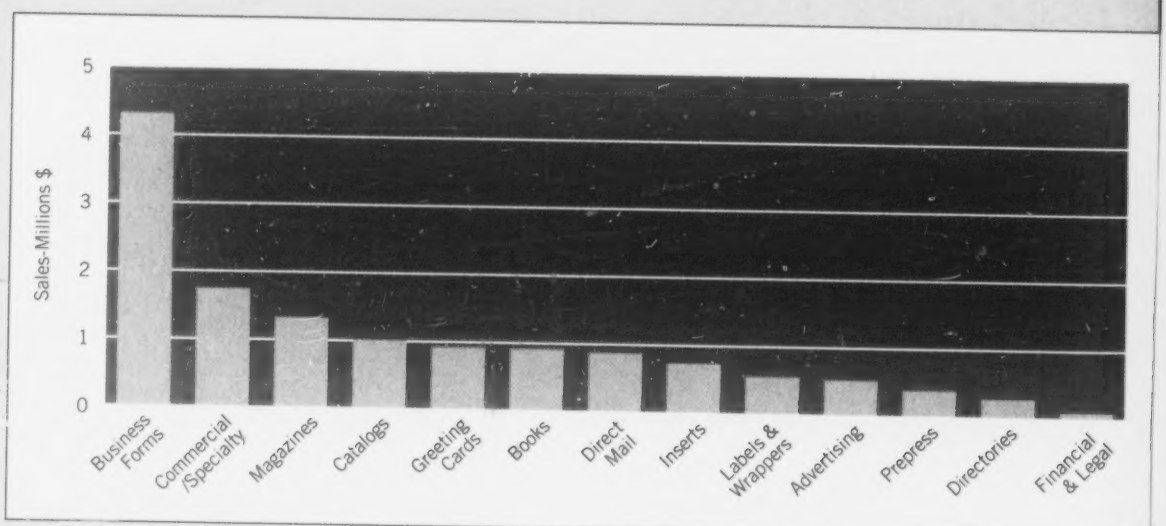
State	High School Graduates	College Graduates
U.S. Average	66.5%	16.2%
Wisconsin	69.6%	14.8%
Michigan	68.0%	14.3%
Ohio	67.0%	13.7%
Illinois	66.5%	16.2%
Indiana	66.4%	12.5%

Source: U.S. Dept. of Commerce; Bureau of the Census

Market Profile

Ranking of Product Segments . . .

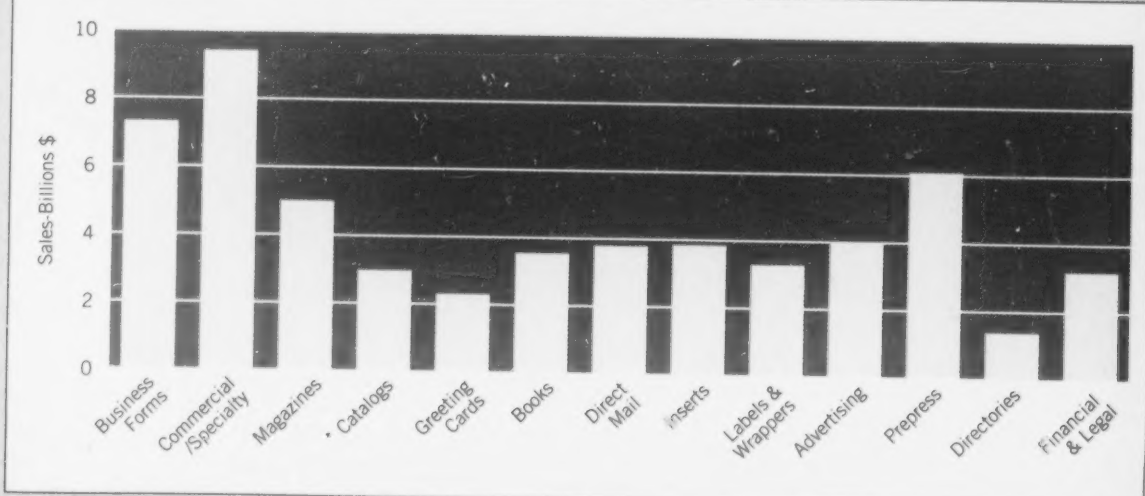
The presence of Moore, Standard Register and Uarco in the region accounts for nearly $1.5 billion dollars, and makes business forms the region's biggest segment. The commercial and specialty category here leans toward specialties, with playing cards and other unusual items heav represented. These bar charts are presented in similar der to simplify comparison between segment concentrat in the East North Central and the U.S.



. . . Compared to National Totals

As catalog and magazine printers need a central location because of postal rates, it is not surprising to find them as the other $2 billion segments in the region—followed by strong representation in almost every area of the industry.

The only exception, indeed, the only regional segm smaller than $100 million, is financial and legal printing. nancial printing, because of its dependence on nationa nancial markets, is mostly centered in New York City.



Leading Printers in Major Markets

COMPANY	SALES
BUSINESS FORMS PRINTERS	
Moore Business Forms, Inc. Glenview, IL	1420.0
The Standard Register Company, Dayton, OH	480.0
UARCO, Barrington, IL	402.0
Reynolds and Reynolds, Dayton, OH	275.0
NCR Corporation, Dayton, OH	245.0
Duplex Products Inc., Sycamore, IL	240.0
Wallace Computer Services, Hillside, IL	205.0
SCM Allied Paper Incorporated, Dayton, OH	187.0
Star Forms, (Bowater), Moline, IL	142.0
CST Group Inc., Wheeling, IL	87.0
COMMERCIAL/SPECIALTY PRINTERS	
Stone Container, Chicago, IL	485.0
Artfaire, Appleton, WI	107.0
United States Playing Card, Cincinnati, OH	88.0
American Greetings Corporation, Cleveland, OH	79.0
Gibson Greetings, Inc., Cincinnati, OH	59.0
Sleepeck Printing Company, Bellwood, IL	56.0
Herff Jones, Inc., Indianapolis, IN	45.0
American Envelope Company, Chicago, IL	45.0
Rand McNally/Indianapolis, Indianapolis, IN	40.0
C.W. Zumbiel Company, Cincinnati, OH	36.0
MAGAZINE PRINTERS	
R.R. Donnelley/Mattoon, Mattoon, IL	130.0
World Color Press/Salem, Salem, IL	120.0
World Color Press/Crossroads, Effingham, IL	115.0
World Color Press/Spartan, Sparta, IL	95.0
QuadGraphics/Pewaukee, Pewaukee, WI	95.0
QuadGraphics/Lomira, Lomira, WI	55.0
Maxwell/Mt. Morris, Mt. Morris, IL	50.0
Perry Printing/Waterloo, Waterloo, WI	40.0
World Color Press/Vern-Wood, Mt. Vernon, IL	40.0
Ringier America/Pontiac, Pontiac, IL	40.0
CATALOG PRINTERS	
R.R. Donnelley/Warsaw, Warsaw, IN	120.0
R.R. Donnelley/Chicago, Chicago, IL	100.0
Alden Press, Inc., Elk Grove Village, IL	90.0
R.R. Donnelley/Mattoon, Mattoon, IL	80.0
QuadGraphics/Pewaukee, Pewaukee, WI	50.0
Arandell-Schmidt Corporation, Menomonee Falls, WI	43.0
Maxwell/Mt. Morris, Mt. Morris, IL	40.0
Bradley Printing Co., Des Plaines, IL	39.0
Ringier America, Inc., Brookfield, WI	31.0
Noll Printing, Huntington, IN	30.0
GREETING CARD PRINTERS	
American Greetings Corporation, Cleveland, OH	676.0
Gibson Greetings, Inc., Cincinnati, OH	200.6
Warner Press, Inc., Anderson, IN	12.0
The John Henry Company, Lansing, MI	8.5
Masterpiece Studios, Cicero, IL	8.5
Huston-Patterson, Decatur, IL	6.0
Shaw-Barton, Coschocton, OH	6.0
Abbey Press, St. Meinrad, IN	4.5
BOOK PRINTERS	
R.R. Donnelley, Crawfordsville, IN	210.0
Western Publishing, Racine, WI	107.0
Banta Company, Inc., Menasha, WI	100.0
R.R. Donnelley & Sons Company, Willard, OH	90.0
Ringier America, Inc., New Berlin, WI	59.0
Rand McNally & Company, Indianapolis, IN	40.0
Webcrafters, Inc., Madison, WI	39.0
Malloy Lithographing, Inc., Ann Arbor, MI	25.0
Lake Book Manufacturing, Inc., Melrose Park, IL	24.0
Edwards Brothers, Inc., Ann Arbor, MI	23.0
DIRECT MAIL PRINTERS	
UARCO, Barrington, IL	90.0
Wallace Computer Services, Hillside, IL	85.0
Moore Business Forms/Reponse, Libertyville, IL	85.0
Tech Web Incorporated, Wheeling, IL	48.5
Standard Register/Communicolor, Hebron, OH	45.0
INSERT PRINTERS	
R.R. Donnelley/Warsaw, Warsaw, IN	70.0
Valassis/Livonia, Livonia, MI	45.0
Miami Valley Publishing, Fairborn, OH	42.0
Printco, Inc., Greenville, MI	39.0
Maxwell/Mt. Morris, Mt. Morris, IL	35.0

Selective listing, which indicates only the concentration of larger plants in larger segments, is from *Printmarkets*, Trade & Technology Press, Stamford, Conn., based on data provided by firms involved. Sales in millions.

How Printers Are Doing

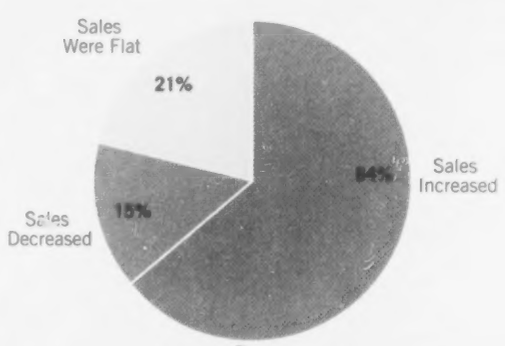
Based on a survey of firms in the region, conducted by Cahners Publishing

Profile of Respondents

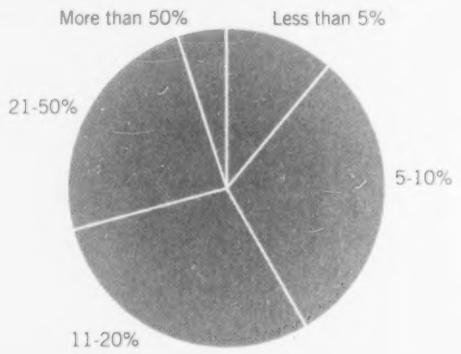
Commercial printers in the East North Central region responding to a recent mail survey reported year-over-year changes in their annual sales, profitability, and operating capacity. They also revealed how they perceived the outlook for business in their area. The following information is as reported by survey respondents; 1990 gross sales were estimated.

Gross Sales in 1990		# of Employees	
Less than $500,000	6.7%	1-4	3.8%
$500,000-749,999	6.7%	5-9	9.6%
$750,000-999,999	16.3%	10-19	32.7%
$1 million-2,499,999	26.0%	20-49	27.0%
$2,500,000-4,999,999	18.3%	50-99	19.2%
$5,000,000-9,999,999	20.2%	100+	7.7%
$10 million or more	5.8%		

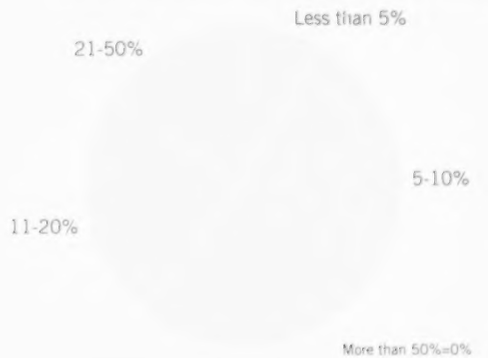
How Sales Changed, 1989 to 1990



If Sales Increased, How Large Was Increase?

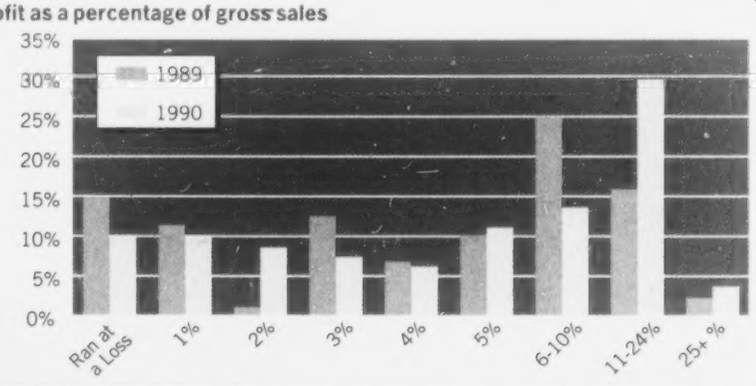


If Sales Decreased, How Large Was Decrease?

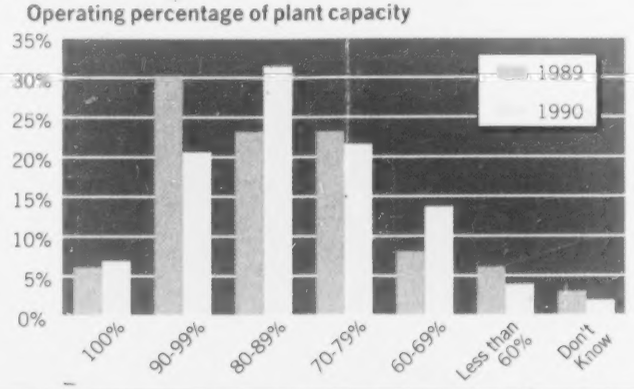


PROFITABILITY & CAPACITY

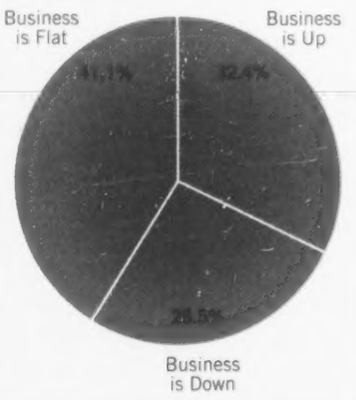
Profit as a percentage of gross sales



Operating percentage of plant capacity



Perception Index



Comments by Printers

- It is time to weed out the part-time players (the low ballers); the strong ones like us shall survive, since there is plenty of work out there.
- I believe that the growth in our area is not from economic growth, but our company's ability to gain market share.
- Too much capacity; several printers are in trouble.
- A proliferation of quick printers; customers are heading for electronic publishing.
- Some fallout, but more growth in region.